Worker Ownership as an Alternative to Industrial Recruitment

In April of this year, a few hours before midnight, nine people loaded into a single pick-up truck for an all-night journey from Murfreesboro, North Carolina to New York City. The days spent to, from, and in New York were quite an experience, involving meetings with union officials, national church groups, national foundations, and zipper manufacturing and equipment experts. The trip was one of the early steps in a struggle by a group of life-long residents of northeastern North Carolina to take local economic development into their own hands. These efforts began with the sudden closing of the Talon Zipper plant in Woodland, North Carolina, which at its peak had employed more than 450 people in a region where industrial jobs are few and far apart.

A core of workers from the Talon plant, some of whom had worked at the plant for more than twenty years, formed a committee to figure out their options. Workers turned first to their union, the International Ladies Garment Workers, and then to the Center for Community Self-Help in Durham and Legal Services of the Coastal Plains in Ahoskie. After months of investigation and hard work, this workers' committee formed the United Zipper Company, a worker cooperative that is owned by its worker-members and that makes decisions on a one-person-one-vote basis. Like their neighbors at Workers' Owned Sewing Company and New Bern Bakery Company, and people in other communities all over North Carolina, the worker-owners of United Zipper Company decided that they could not afford to wait for industrial recruitment to bring jobs to them. The skepticism of industrial recruitment, in this case, has proven to be justified. Not only have no plants moved to Hertford County since the Talon closing, but two additional industrial employers have closed their doors.

As United Zipper Company began putting the resources together for the start-up of its operations, the necessity of combining public and private resources became increasingly clear, particularly in structuring a financing package for the business. For example, national church groups were interested in lending up to $150,000 for capitalizing the business, but wanted a degree of safety for their loans. The same requirement was posed by local banks and non-profit lending sources. Since the members of the cooperative had recently been laid off from the Talon factory, workers' savings had been largely depleted by the struggle to survive while being unemployed. Where then could equity funds and subordinated debt be found that would give private lenders a safety cushion for their collateral?

The town of Murfreesboro provided the answer to this problem. Severely hurt by the Talon plant closing in nearby Woodland and other plant closings, the town of Murfreesboro needed jobs and an expanded, or at least stable, industrial tax base as much as the worker-members of the zipper cooperative needed an income-producing livelihood. Thus, after a series of public hearings, the Murfreesboro town council sponsored a Community Development Block Grant application to state government in Raleigh. This grant, if approved, would go to the town of Murfreesboro, which would then loan $325,000 to United Zipper. There would be no interest on this loan, and the principal would be repaid over a twelve year period, with a deferral of any payments during the first two years of the zipper cooperative's operation. Most important of all, this loan would take a subordinated collateral position behind the private lenders, who would be required to put up an additional $325,000 of start-up capitalization. As the zipper factory repaid the town's loan, the town

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would have funds that could be loaned to other worker cooperative businesses that would in turn help expand the town's job opportunities and tax base.

United Zipper is a good example of collaboration between private agencies/lending sources and local governments. Most worker cooperatives that are formed as a way of saving or creating jobs, however, are more than a mere joint venture of the public and private sectors. A worker cooperative, because of its unique internal structure, is actually a bridge between local governments and private industry. The structural advantages of worker cooperatives can be summarized as follows:

1) information credibility since owners are more accessible and familiar;

2) confidence in safety and health actions due to democratic decision making;

3) disbursed benefits of ownership, similar to public services; and

4) geographic loyalty since owners are local residents.

Information Credibility

Since a worker cooperative is controlled by its worker-members, all of whom are local residents, it has been the experience of the Center for Community Self-Help that local government officials are more comfortable in establishing a collaborative relationship. The owners of a worker cooperative have often lived in the community for years and have gone to school and church with local government officials. Each knows what to expect of the other. This sense of shared personal history gives local government officials a better ability to judge the accuracy of information provided by the owners and managers of a worker cooperative. In this sense, a worker cooperative is like other locally owned businesses. In addition, because younger people become members of the cooperative as older members retire, a worker cooperative will remain a locally owned business. There will not be a retirement crisis that forces the business to be sold to a conglomerate company based outside of the local region, which is often the fate of family-owned businesses that have been successful over the years.

Safety and Health

Because it is often difficult for employees and community residents to get information about potential health and environmental hazards posed by a particular industrial plant, an affected community or workplace cannot easily monitor risks of this sort. Since the employee-members of a worker cooperative have the power to change working conditions, the company has every incentive to correct occupational hazards. Moreover, since the workers live in the community where the plant operates, they are unlikely to release hazardous wastes since their families and friends will be the first to suffer. The worker cooperative structure prevents the embarrassment and health dangers that have been created by some economic development projects. For example, an electronics assembly plant was developed

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in Durham a few years ago to provide jobs for a targeted low-income community. Numerous complaints from workers about nauseating gases and other harmful working conditions contributed to the New Jersey company's decision to close the Durham plant altogether. This fatal impasse regarding working conditions would not have happened had the employees been the owners in control of the business.

Disbursed Benefits

Since local governments and nonprofit public service organizations have a mandate to serve a broad-based constituency, a partnership effort by these groups with worker cooperatives makes particularly good sense. Cooperatives, by definition, must divide the profits of the business among all the worker-members of the business, which often means an equal share of the profits go to each of the full-time employees of the business. Hence, the fruits of the business benefit a broad group of people, regardless of one's capital accumulation, rather than a few shareholders, another corporation, or a single family. Public support makes sense in this situation. Even if a cooperative business fails, the benefits will have been broadly disbursed in the local community, with no single individual receiving a large or disproportionate personal benefit. Many church, nonprofit, and governmental groups require this dispersal of personal benefit before they will provide any support whatsoever to an economic development project. After all, there is little that is more frustrating to a public service organization than to see its effort enrich and empower the few who least needed their help in the first place, with the broader community no better off than before.

The Center publishes a newsletter called "Changing Shifts."

Geographic Loyalty

With plant closings more and more a problem for communities in North Carolina, particularly in rural areas, the notion of geographic loyalty has become increasingly important. When Texfi Industries suddenly closed its 500-employee texturizing plant in New Bern during the summer of 1980, no local government official had any advance warning of the plant closing, even though Texfi officials in Greensboro had been considering shutting down the New Bern plant for over two years before the sudden closing. Since several hundred thousand dollars had been spent in municipal improvements for Texfi's benefit, including extension of water and sewage services to the Texfi plant, the town of New Bern had both a civic and a financial interest in knowing any plans of impending shutdown. Two and one half years later, the Texfi plant still sits empty in New Bern.

Time and again we at the Center have seen this happen. Numerous local economies have been buffetted by garment and other companies that obtained local governmental and community support only to close six months later and move 100 miles down the road. Many industrial recruiters in rural North Carolina counties will tell you that they have no interest in attracting another highly mobile business. Despite the heavy bidding among small towns for out-of-state industries, there are few county developers who would go to the trouble and public expense if he or she knew in advance that the industry would move again within a few years of starting operations in North Carolina. Building an infrastructure for industry and providing technical training specific to that industry is an investment by local governments that is often completely lost if the company ceases operation in the near future.

Worker cooperatives bridge this public distrust quite easily. In fact, the impetus for starting worker cooperatives in the first place has often been the inability of local residents to move as quickly as plants can close down. Even in one of the most mobile and volatile of industries, garment sewing, the Workers' Owned Sewing Company in Windsor, North Carolina is not likely to move from the area where all of its voting worker-owners live. In short, an investment by local governments in worker cooperatives is simply less risky from the business relocation point of view than a similar investment in an economic development project sponsored by a non-local industry.

With the need for local economic development becoming more apparent with every passing month, worker cooperatives offer a unique opportunity for collaboration between the public and private sectors. The structuring of cooperation within an economic development project greatly strengthens the opportunity for trust and cooperation with the local community.

Editor's note:

In spite of being regarded as a well documented, well written proposal, the Block Grant proposal was rejected because no private lending source in eastern North Carolina would participate in the financing package.

The United Zipper worker-owners are continuing to seek funds despite this temporary setback.